

Message Text

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ACTION EB-07

INFO OCT-01 EA-10 ISO-00 FEA-01 AGR-10 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

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TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 EUR-12

/117 W

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R 080955Z AUG 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 3257

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMEMBASSY TOKYO

AMCONSUL HONG KONG

UNCLAS SINGAPORE 3474

E.O. 11652: N/A

TAGS: EIND, EINV, SN

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 165596

1. FOLLOWING IS TEXT OF POST'S UPDATED NARRATIVE STATEMENT
ON SINGAPORE'S INVESTMENT CLIMATE:

BEGIN TEXT. SINGAPORE REMAINS A HIGHLY ATTRACTIVE SITE FOR
U.S. INVESTMENT. BECAUSE SINGAPORE ENJOYS NEARLY FULL EMPLOY-
MENT AND HAS A MODEST POPULATION GROWTH, ECONOMIC GROWTH
MUST COME ALMOST ENTIRELY FROM INCREASES IN PRODUCTIVITY.
THE GOVERNMENT OF SINGAPORE'S POLICY IS TO ACHIEVE THESE
PRODUCTIVITY INCREASES IN PART BY ATTRACTING FOREIGN
INVESTMENT IN SECTORS UTILIZING PROGRESSIVELY HIGHER LEVELS
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OF TECHNOLOGY. SINGAPORE OFFERS A HIGHLY PRODUCTIVE AND

ADAPTABLE LABOR FORCE, A FORTUNATE GEOGRAPHIC LOCATION, STABLE SOCIETY, HONEST AND EFFICIENT GOVERNMENT, HIGHLY DEVELOPED INFRASTRUCTURE AND FISCAL INCENTIVES. SINGAPORE ALSO OFFERS POTENTIAL INVESTORS PREFERENTIAL ACCESS TO EXPORT MARKETS SINCE SINGAPORE-MADE PRODUCTS QUALIFY FOR PREFERENTIAL RATES OF DUTY UNDER THE GENERALISED SCHEME OF PREFERENCE (GSP'S) OF THE UNITED STATES, THE EEC AND JAPAN.

2. A 10 YEAR TAX HOLIDAY IS OFFERED TO SELECTED FOREIGN INVESTORS, GENERALLY FOR PROJECTS WHICH PROMISE TO SIGNIFICANTLY INCREASE PRODUCTIVITY AND TECHNOLOGY LEVELS. SOME MAY QUALIFY FOR AN ADDITIONAL PERIOD OF 90 PERCENT TAX EXEMPTION ON EXPORT PROFITS. RECENTLY, THE GOVERNMENT SET UP A US\$45 MILLION CAPITAL DEVELOPMENT LOAN FUND TO HELP ATTRACT SMALL, HIGH-TECHNOLOGY INDUSTRIES TO SINGAPORE. WHEN NEGOTIATING WITH POTENTIAL INVESTORS OVER THE INCENTIVE PACKAGE, THE GOVERNMENT WILL CONSIDER, AMONG OTHER FACTORS, CAPITAL INVESTMENT INCLUDING TRAINING COST PER WORKER, VALUE ADDED PER WORKER, AND MORE IMPORTANTLY THE RATIO OF TECHNICAL PERSONNEL AND SKILLED WORKERS IN THE TOTAL WORK FORCE. THE GOVERNMENT IS PARTICULARLY INTERESTED IN PETROCHEMICALS, MACHINE TOOLS, PRECISION ENGINEERING, AND EQUIPMENT, SOPHISTICATED ELECTRONICS, AND HEAVY MACHINERY. IN ADDITION TO TAX HOLIDAYS, TAX REDUCTIONS AND FAVORABLE LOAN TERMS, SINGAPORE OFFERS A VARIETY OF OTHER INCENTIVES INCLUDING DUTY-FREE IMPORT OF CAPITAL GOODS AND RAW MATERIALS, EQUITY PARTICIPATION, MANPOWER TRAINING SCHEMES, AND INDUSTRIAL ESTATE FACILITIES.

3. THE GOVERNMENT IS COMMITTED TO MAINTAINING COMPETITIVE WAGES IN PRIORITY INDUSTRIES AND AN OVERALL FAVORABLE INVESTMENT CLIMATE. HOWEVER, WAGE INCREASES OVER THE LAST SEVERAL YEARS, BASED ON GUIDELINES SET BY A NATIONAL WAGES COUNCIL, HAVE MADE SINGAPORE RELATIVELY UNATTRACTIVE FOR LABOR-INTENSIVE INDUSTRIES.

4. SINGAPORE IS NOT INTERESTED IN ATTRACTING IMPORT-SUBSTITUTION INDUSTRIES, AND NO FOREIGN INVESTOR IN SUCH AN INDUSTRY SHOULD EXPECT TARIFF PROTECTION OR INCENTIVES. MANUFACTURERS OF BULBS, SOAP, AND BICYCLES REQUIRE LICENSING, AND FOREIGN COMPANIES ARE NOT ENCOURAGED IN THESE AREAS. THERE ARE NO UNCLASSIFIED

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RESTRICTIONS ON FOREIGN OWNERSHIP OF COMPANIES IN SINGAPORE. LOCAL EQUITY PARTICIPATION IS NOT REQUIRED, BUT IN SOME INDUSTRIES THE GOVERNMENT MAY ENCOURAGE IT. THERE ARE NO CEILINGS ON REMITTANCE OF PROFITS AND NO OBSTACLES TO CAPITAL REPATRIATION. GOS PURCHASING POLICY GENERALLY GIVES PREFERENCES TO LOCAL MANUFACTURERS. END TEXT.

5. THE EMBASSY ESTIMATES U.S. GROSS DIRECT INVESTMENT (FIXED

ASSETS, RECEIVABLES, INVENTORIES, ETC.) IN SINGAPORE, AT THE
END OF 1974, TO BE 943 MILLION U.S. DOLLARS BROKEN DOWN AS
FOLLOWS:

PETROLEUM REFINING AND STORAGE	340 MILLION
ELECTRONICS	194 MILLION
MANUFACTURING AND ASSEMBLY (EXCLUDING ELECTRONICS)	122 MILLION

SALES/DISTRIBUTION AND OTHER (EXCLUDING OIL INDUSTRY)	121 MILLION
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OIL INDUSTRY	75 MILLION
OCEAN SHIPPING AND SHIPBUILDING	39 MILLION
BANKING	24 MILLION
INSURANCE	24 MILLION
CONSULTING/ENGINEERING	4 MILLION

6. THE FOLLOWING FIGURES FROM THE ECONOMIC DEVELOPMENT BOARD
REPRESENT FOREIGN DIRECT INVESTMENT IN MANUFACTURING IN
SINGAPORE IN TERMS OF GROSS FIXED ASSETS ONLY (NON-DEPRECIATED)
AT THE END OF 1974:

TOTAL, INCLUDING U.S.	US\$1,272,500,000
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TOP FOUR COUNTRIES:

U.S.	US\$ 450,830,000
U.K.	US\$ 176,670,000
NETHERLANDS	US\$ 175,000,000
JAPAN	US\$ 147,500,000

7. THERE ARE NO FIGURES AVAILABLE ON DIRECT INVESTMENT
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IN THE U.S. BY SINGAPORE FIRMS. AMOUNT OF SUCH INVESTMENT IS
PROBABLY QUITE SMALL.
HOLDRIDGE

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